

Remarks to the 30th Anniversary of Tidewater

by
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Thank you very much, Brian and Secretary Talbott for those words.

For 5 years, I had an opportunity to speak in this room, but it was always about the Kennedy Center. So I am a little nervous today talking about a different issue. But I am very grateful for the introduction and for the chance to change my subject.

Before I talk about development and the challenges before us, I do want to pay tribute also to Strobe and to the Department of State for the way in which they have understood and embraced the real meaning of development as a human issue, as a political issue, and as something that is absolutely central to peace. I must also say that in my own dealings with State, I am very grateful for their support and assistance.

But I also want to say that so far as Brian Atwood is concerned, he is a little bit daunting. I never realized how impressive he was until I read the USAID fact sheet. I have been saying how wonderfully I am doing at the World Bank in dealing with what I call the Strategic Compact, and then I come here and I read that during Brian's term of office, he has reduced project design time by 75 percent, cut regulations 55 percent, reduced the number of projects by 22 percent - I do not know what that means, Brian, or whether it is good or bad - cut competitive contract award time by 50 percent, and put procurement information programs on the Internet which serves 65 million users worldwide. And that has helped USAID work with 800 new vendors in the last 4 years.

I find that all quite depressing, as a matter of fact! But I do say that it is very, very impressive, and I want you to know, Brian, how impressed we all are by your leadership and grateful to you for chairing this meeting along with Ambassador Michael.

Looking around this room, I feel very much the newcomer because so many of you have been engaged full time in the issues of development for many more years than I have. I was an amateur before I came to this job, and it is in the last 3 years that I have had a chance to work with many of you and to learn from you.

I have been asked to talk about the last 30 years, when, in fact, many of you know I was not there. I do not know how many of you were at the Tidewater original meeting. You probably would not admit it if you were, but, indeed, in this 30 years, we have seen a very changed world. A world which used to be a bipolar, a world with two trading blocks, a world where we went into development not for moral and social reasons, but for heavy political reasons. A world where we developed our thinking through to the Washington Consensus where we believed in the centrality of markets, an outward-looking model, trade liberalization, export-led growth strategy, and a very strong macroeconomic framework. A world where we went ahead with the very strong support, at least it is strong compared to today, of overseas development assistance, although as I have said, largely couched in the political terms of a bipolar world.

And then the Wall came down, and all of a sudden in the development business, the framework changed. The excitement about fighting a known enemy changed. We were forced back on issues of social and moral responsibility, and we started to look at the developing world not just as a political factor, but as a very strong economic factor.

So that, today, the 4.7 billion people out of the 5.6 in this globe that we deal with are perceived not just as people, but as a market for 18 percent of the world's GDP, and a market that is growing very fast. A market that in another 25 years could be 30 percent of the world's GDP.

So we found a new rationalization, and the literature started to change. The arguments to legislators throughout the world changed, we began to say that we have to look at this group, this 4.7 billion, those in transition and those in growth, for economic reasons. We cannot think of two worlds anymore.

We cannot think of two worlds because we are linked by health. We are linked by trade. We are linked by crime. We are linked by environment. We are linked by immigration, and we all, all of us, started to think in terms of the interdependence of the developing world with the so-called developed world, and we started to conceive things differently.

The world itself changed, and we found that it was no longer just the members of the Tidewater Club that were being involved in development, but that new partnerships were being forged, new partnerships with new players because with the change in the political environment, other things changed; first of all, came freedom.

Thirty years ago, one country in four that had some form of democratic government. Today, it is three in four. In the last 10 years, we have moved from 1 billion people in a market economy to 5 billion people in a market economy. We are seeing a growth in freedom, and with that freedom has come an active civil society, and many of the leaders of that civil society are represented here today, a civil society which is no longer just a critic, sometimes silent, sometimes on the sidelines, but an essential participant in the development process, an essential partner in the development process. Of course, that civil society is multiplied both at a domestic level and at an international level.

And then the role of business changed. Seven years ago, official development assistance was running around \$60 billion a year net, and private sector investment was running at \$30 billion a year, half the size of official assistance. Today, official flows have dropped from \$60 billion to \$45 billion because of both net repayments and because of an absolute reduction in terms of development assistance. The private sector investment has gone from that \$30 billion to \$256 billion. So, in a space of 7 years, the importance of the private sector has moved from half the size of official assistance to more than five or six times the size of official assistance.

So we have not just a gloss on the development picture. We have a strong economic force which offers us all in the development business the possibility of a new partner, but also a new challenge because 75 percent of that private money goes to 12 countries. 140 countries get less than 5 percent. Sub-Saharan Africa, excluding South Africa, gets about 1.5 percent.

And this focuses us on the inequities that we see as we move around the world. The need for us to address with civil society and with the private sector these inequities. But the need to do it also with governments, many of them new governments, who must be in the driving seat, who must lead the initiatives and lead the direction in which these new partnerships move together.

We in the development business, those that meet at Tidewater, have to think as we look forward to the next 30 years, how it is we can adjust. We have to be different in the next 30 years. We have to establish for ourselves--and I speak as someone who comes from one of these institutions-- new ways in which we can embrace partnerships, new ways in which we can reach out to others in the development business, new ways in which we can make this four-way partnership between governments, civil society, the private sector and official institutions, real and meaningful.

And the debate today, as it was this morning in the meetings, is about the quality of government, the quality of governance. It is our job to support the quality of governments and to build capacity. We cannot make decisions that we are just not going to give money to countries that are not being well-governed because we have a better return on monies that go to well-governed countries.

It is not surprising that recent research tells us that if you give money to a country that is well governed, you get a better return than if you put money in a country that is badly governed. But the question is: what are we going to do with the people that are badly governed? We cannot just turn our backs on them and say forget it until you get a new government.

We have to work and find new ways in which we can strengthen government, without intruding on government. We have to find ways using both our consultative skills, our experience, and our money to try and develop capacity with governments so that they can in fact be the leader that they have to be.

And the second thing that we have to do is we have to learn how to reach out better to civil society. Speaking as the Bank, which was an institution that when I joined had just come through the Madrid Annual Meetings where much of civil society had decided that 50 years was enough for the institution, and you will probably remember that meeting. Indeed, all the literature that I received before I took on this job was telling me how terrible the World Bank was.

The World Bank was not terrible. The World Bank had done a lot of remarkable things, as indeed the whole development community has done, and Brian commented on some of them before, but there are these stereotypes that have developed between development agencies and civil society which we have to break down. We have to break them down, but so do civil society. They need us and we need them.

There are many, many, many examples of how working together we can achieve miracles. But taking a view of each other in some stereotyped form does not advance the cause of either of us. And I see the representative of Rockefeller Brothers Fund here who reminds me that foundations also need to be included in this, the foundations that finance civil society.

So we have a lot of work to do in terms of reaching out, and then there is the reaching out to do with the private sector. You cannot expect the private sector to go and invest in countries where the conditions and the environment are not favorable. And that simple but stark fact is leading us to try and deal at a new level with countries - establishing the structure that is necessary, the structure for investment, but not just international investment, the structure for the retention of earnings and for domestic investment, putting together judicial systems, putting together financial systems, putting together regulatory bodies, fighting corruption, trying to ensure that there is a stable basis at a structural level with which countries can function so that we can get from 12 countries to 150 countries in which business will be prepared to take risk.

This is the challenge that we have to face, not just to tell business that it is a matter of social and moral responsibility that they should invest. We need to work with the countries and with the corporations to ensure that we can create an environment in which those companies will want to invest and where there will be the proper conditions to encourage them to do so.

But it is not just a matter of structure. We also have to think what are the essential elements in the development process that we need to work with countries to put in place? What are the key drivers of development? Education, health, water, power, and communications, physical and electronic.

And here, we as a development community need to come together. We have to think of things not just in terms of projects. We need to think in terms of strategies, and we need to think how we can do it together, not with every one of us having a flag on a school or on a hospital or an educational facility or something that is visible, but also helping with sewers, helping with the infrastructure, helping with things that are not seen, and working together in a cooperative manner to build long-term strategies that can make a real difference. .

I know for myself that I do not want to be coordinated, and I see Gus Speth here. My friend, Gus Speth, who in our first encounter at the meetings when I was saying that we should cooperate, said, "Well, that means the UN can coordinate you." I said, "It does not mean that, Gus. It means that we can cooperate," None of us want to be coordinated, but there is an essential need as we go forward for all of us to be able to work together, to share information, to share experience, to work under the leadership of governments, so that with limited resources, but with a combined experience, we can help governments create the environment and move forward on the essential elements for development that are needed in this development process. These are the challenges that we face.

And we need to look at the challenge not just as a financial issue. I am delighted to see my colleagues from the Monetary Fund here today. They and we are looking as we go forward not just at financial analysis, but at the essential precondition of social stability and social analysis. It is no longer just the financial package which restores confidence. Confidence is not maintained just by finance. There is an essential need which all of us in this business know, which is the human aspect of development.

We talk of poverty. We talk of human rights. We talk of gender. We talk of disabled people. We talk of the more vulnerable people in our community. This is the key to peace. This is the key to stability. This is really the divine work that all of us are doing. We have 90 million people being added every year. That is the challenge for us. To link our financial and our administrative experience with a heart. We have to think in terms of love. We have to think in terms not just of a moral imperative. We have to think of it in terms of caring for humans because, if we do not care

about issues of equity, if we do not care about issues of social justice, if we do not care about issues of poverty and equality, there can be no peace, and no amount of money will buy us peace.

You cannot live in a world where 50 percent of the GDP is in many countries owned by 10 percent of the people while the bottom 20 percent have under 3 or 4 percent. This world is not a stable world.

We have to think beyond the statistics, think in terms of equity, think in terms of poverty, think in terms of opportunity. Think beyond the Washington Consensus to emphasize broader goals. Not just GDP, but also better lives. A cleaner environment. A much greater degree of inclusion. That is the challenge for us in these next 30 years.

The poor people of this world do not want a handout from us. They do not want increased overseas development assistance because it is an easy fix. What poor people want is opportunity. They want a chance. They do not want charity, and all of us in this room in the Tidewater Group know it because the strength of our universe and the strength of the people we are operating with is the strength of individuals.

As we move into the next phase of development activity, we need to bring together the essential prerequisite of financial resource structure, with humanity, with people. And there is nothing wrong in going to the U.S. Congress - since we are in this country - and saying to the United States that as a leader in the world, as someone who led us through a confrontation in a bipolar world, it is proper that the United States take on this role because there is a sense of moral responsibility, there is a sense of social responsibility, there is a sense of humanity here which has long characterized this country.

And dare I say it in this room that the leadership of the United States is crucial in terms of bringing about the dream that we want to have in this next 30 years as we approach the development challenge.

Thank you very much.